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DEPARTMENT OF STATE

1807

Mr. Bruce

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Memorandum of Conversation

DATE: November 21, 1952

SUBJECT: Bolivian Nationalization; Sale of Bolivian Minerals

PARTICIPANTS: Victor Andrade, Ambassador of Bolivia
U - The Under Secretary
OSA - William P. Hudson

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U. S. GOVERNMENT PRINTING OFFICE 16—61120-1

The Ambassador said that he wished first to advise me officially that his Government had nationalized the mining properties of the Patiño, Hochschild and Aramayo groups of mining companies. He gave me an English translation of the Bolivian nationalization decree of October 31.

He was instructed by his Government to say that Bolivia desired to have even closer friendly relations with the United States. To this end, and because Bolivian tin produced since September 30 was beginning to accumulate without a market, he planned to call on the Administrator of the Reconstruction Finance Corporation later this afternoon to make a formal proposal for a long-term tin contract. He believed that there would be no difficulty regarding price, since the United States had stabilized the world tin price through long-term contracts with other countries. With regard to tungsten, he expected to talk early next week with a representative of the General Services Administration to try to arrange the transfer to the Banco Minero (sic) of the contracts now held by the three big companies.

I assured the Ambassador that the United States also desired to have good relations with Bolivia. Bolivian nationalization was not an affair of ours, except as regarding compensation to foreign investors. Our chief concern was that just compensation should be paid to American shareholders, who we understood owned a relative small interest in the nationalized properties. Since the Bolivian Government seemed to be aware of the importance to Bolivia of rendering just treatment to foreign investors, I did not anticipate that the implementation of the nationalization decree would place any strain on our relations.

The Ambassador said that every effort was being made to arrange fair compensation for the American shareholders. He described a feature of the nationalization decree which provides that two percent of the gross return

from the production of the nationalized mines would be set aside to meet compensation obligations. If this amount should prove insufficient, Bolivia would seek a loan which would be secured by earmarked revenues.

The Ambassador then started to explain his Government's plans for handling the claims of the Patiño and Aramayo families and Mr. Hochschild. I interrupted him to say that what his Government did regarding compensation for native shareholders was no concern of the United States Government. The Ambassador then went on to state that the Bolivian Government intended to deal fairly with Patiño, Hochschild and Aramayo, but wished to make sure that they in turn paid what they owed to the Bolivian State and people. For example, he said, the estate of one of these people who had died a few years ago had paid in inheritance taxes only one tenth of what it should have paid.

The Ambassador said that he was keenly aware of the importance of American public opinion in the formulation of American foreign policy. He had been doing all that he could to make sure that the American people learn the full facts of the nationalization issue. In continuance of this effort he would leave for La Paz on November 25 to consult his Government and obtain authority to make further statements addressed to American public opinion. His task would no doubt be difficult, because his Government, like that of the United States, was sensitive to the pressure of public opinion and in Bolivia such opinion was frequently ill informed and badly orientated.

I thanked the Ambassador for this information. With regard to the purchase of tin I told him that this Government could not consider a long-term contract at this time because the new United States administration would have to be consulted about any decisions in this matter and there was no machinery for such consultation. However, I thought it well that he should call on Mr. McDonald to present his proposal.

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